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ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

The level of petroleum products supplied fell about 110 MBD (0.7%) in March, and for the quarter as a whole declined minimally — (21 MBD, 0.1%) — compared with the corresponding 1984 quarter. The recent slowdown in deliveries of petroleum products reflects the path of the economy as a whole, with indicators showing a dampening of the high levels of economic activity that prevailed during the early part of 1984.

The small net decrease in deliveries in the first quarter of 1985 reflected higher demand for gasoline, distillates, and jet fuels and a substantial decrease in residual fuel oil deliveries that more than offset these light product increases. Despite the sharp contrast in weather conditions in the first quarter — the first part of the quarter about 15% colder and the second half roughly 20 % warmer than last year — the weather impact on total first quarter deliveries, especially as far as distillates were concerned, was practically nil.

Restocking at non-primary levels in the first quarter was at somewhat higher levels than last year. It is estimated, that, save for this difference in non-primary inventory behavior, total petroleum deliveries would have fallen even further below first quarter 1984 levels. Exhibit I details monthly deseasonalized delivery levels for total petroleum products, gasoline, distillates, and residual fuel oil since the beginning of 1983.

Crude oil production continued to rise. March's unusually high increase, almost 390 MBD (4.5%), is the result of an interruption in Alaskan pipeline flow in March of 1984 and significantly higher production at Kuparuk this year. The high March 1985 increase, in turn, was one of the major reasons for the roughly 2.1% quarterly rise. Imports, generally lower in recent months, fell almost 13% in March. Inventories fell nearly 22 million barrels in March, some two-thirds higher than the historical average for this time of year.

PRODUCTS SUPPLIED[1/]

Gasoline

UP NEARLY 2% FOR THE QUARTER.

Higher real disposable personal income and pump postings still lower than last year, despite an almost 4¢ rise in gasoline prices in March, continue to support higher gasoline demand. Deliveries rose 2.1% in March and a slightly lesser 1.8% in the first quarter, when compared with corresponding 1984 periods.

Gasoline prices in March, on an inflation-adjusted basis, were about 7% (8¢) below last year and almost one-third below highs reached in March of 1981. Real disposable income, though showing progressively lower quarter-to-quarter increases during each consecutive quarter in 1984, has risen at a rate of almost 5% during the past year (Jan. '84 - Jan. '85) and, combined with lower gasoline prices, might have added almost 5% to gasoline demand. We estimate, however, that approximately two-thirds of this was offset by improvements in automobile miles per gallon, resulting in the close-to-2% increase in deliveries actually experienced during the first quarter.

The market share of unleaded gasoline was nearly 64% in March, ahead more than six percentage points over last year's level. While year-to-year increases in car sales, at slightly over 2% for the quarter as a whole but less than 1% for March, are only a fraction of last year's more than 25% year-to-year increase in the first quarter, they continue to add gradually to the fleet's requirements of unleaded gasoline.

Distillates

UP MORE THAN 3% OVER 1984's FIRST QUARTER.

Deliveries of distillates fell 127 MBD (3.9%) below last March's levels but for the first quarter were some 107 MBD (3.3%) ahead of last year's level.

The reduction in March delivery levels was caused by weather some 22% warmer than last year and lower rail and truck traffic levels; higher inventory replenishments at secondary storage levels provided a partial offset.

For the quarter as a whole the impact of colder temperatures than last year during the January through mid-February period was effectively nullified by warmer weather in the rest of the quarter. Substantial restocking since late February at non-primary levels, where inventories had been sharply depleted by the cold weather early in the quarter, however, is estimated to have added some 130 MBD to quarterly delivery levels. The overall increase was pared to slightly more than 100 MBD, because of declining diesel sales. Rail and truck traffic were both below the strong levels of the first quarter of 1984.

Residual Fuel Oil

DECREASED ALMOST 19% VERSUS 1984's FIRST QUARTER.

Residual fuel oil deliveries continued to decline. March showed a 270 MBD (16.5%) year-to-year decrease, and the first quarter a 323 MBD (18.5%) decline. A lower level of tanker movements contributed to a decline of 10-20 MBD in bunker fuel demand. With milder weather than last March a contributor, electric utilities are estimated to have shown a more-than-150 MBD year-to-year loss in resid use during the quarter. Industrial sector consumption declined an estimated 100 MBD. With settlement of the U.K. coal strike in early March, prices for residual fuel oil fell worldwide, though decreases were more marked in European than in domestic markets. While there was some impact of lower resid prices on domestic markets, it is too early to tell to just what degree this price weakness has slowed resid's continuing losses to other fuel sources such as natural gas. Natural gas prices had been relatively stable but have in recent months trended slightly lower.

With prices for imported natural gas declining and the growing influence of spot market pricing, natural gas pricing has been posing a strong competitive challenge in all residual fuel oil marketing sectors. The continuing switch to dual-fuel capability boiler installations has played a major role in this price competition by permitting users to take prompt advantage of changing price patterns.

Petroleum buying by utilities for the generation of electricity has trailed prior-year levels for every month since March of 1984. In January 1985 (the latest data available), despite the highest level of January electricity generation in recent history, partly related to harsh winter weather, oil purchased by electric utilities fell approximately 275 MBD. Year-to-year decreases are estimated to have also occurred later in the quarter, though eventual price decreases in residual fuel oil markets likely reduced their size. For the first quarter as a whole, we estimate that lower electric utility purchases contributed more than 150 MBD to the overall decline. Deliveries to industrial customers, adversely affected by the diminishing robustness of the economy and continued switching to alternate fuel sources, are estimated to have suffered a roughly 100 MBD shortfall.

Kerosine Jet Fuel

ROSE MORE THAN 6% IN THE FIRST QUARTER.

Deliveries of kerosine jet fuel rose almost 10% in March and were about 6% ahead of last year for the first quarter as a whole. Increases in "miles flown" had been about 10% in late 1984. There is evidence of continued high levels of airline traffic in early 1985, partly because of a plethora of discount fares, though strike action at one major airline reduced the year-to-year increase somewhat in March.

Month-to-month variations in the levels of kerosine jet fuel supplied are due, at least in part, to inventory management practices by airport operating companies. The overall more-than-6% increase in kerosine jet fuel deliveries for the quarter, however, appears in line with "miles flown" levels, considering continued infusion of new, fuel-saving aircraft into the fleet and other efficiency efforts.

Other Oils

ALMOST EVEN WITH LEVELS OF 1984's FIRST QUARTER.

Other oils were supplied at an estimated 42 MBD (1.1%) higher rate this March than last year. For the first quarter, levels supplied were minimally lower. This performance is in line with recent slower activity levels in the chemical industry, one of the major customer sectors. The chemical industry's performance was especially strong early in 1984, but year-to-year increases gradually vanished late in the year. Continued high imports of major chemicals contributed to lowered production needs.

Propane deliveries had been below year-earlier levels in the fourth quarter of 1984 but ethane demand was slightly higher. We estimate that, for the first quarter of 1985, these two products, which generally represent about 90% of the liquid petroleum gases component of "other oils", experienced declines of 7% and 4% for propane and ethane, respectively.

Asphalt and road oil deliveries were up about 20% over year-earlier levels in the December 1984/January 1985 period (lastest available data), principally as a result of higher local and state outlays; they are likely to have remained relatively strong for the first quarter as a whole. These products, however, have not yet benefited from the recently-approved allocation of federal funds to the states.

(In millions of B/D)	MARCH ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	15.9	16.0	(0.7)	16.0	16.1	(0.1)
—Motor gasoline supplied	6.6	6.5	2.1	6.5	6.3	1.8
—Distillate fuel oil supplied	3.1	3.3	(3.9)	3.3	3.2	3.3
—Residual fuel oil supplied	1.4	1.6	(16.5)	1.4	1.7	(18.5)

PETROLEUM SUPPLY[1/]

Total supply was 902 MBD lower in the first quarter than in the corresponding 1984 period, the net result of a 1,105 MBD decrease in import levels and 203 MBD increase in total domestic supply.

Production

UP MORE THAN 2% OVER 1984's FIRST QUARTER.

Domestic crude oil production rose 4.5% (388 MBD) in March over year-earlier levels, as both Alaskan and lower 48 output increased. The estimated production increase in Alaska approached 300 MBD as a result of a substantial increase in Kuparuk production and the March 1984 interruption in pipeline flow; lower 48 output increases accounted for the remainder.

For the quarter as a whole, total U.S. production increased 185 MBD (2.1%), based on preliminary estimates for January and February published by the Department of Energy and API's March production estimate. There is reason to believe, however, that final DOE January data may be revised downward by about 150 MBD to reflect an interruption in trans-Alaska pipeline movements in January of this year.

Natural gas liquid production rose more than 4% during the quarter, roughly paralleling increases in natural gas production.

Imports

DECREASED 1.1 MMBD IN 1985's FIRST QUARTER.

Largely because of continuing price uncertainty in world oil markets, imports fell about 1.1 million barrels per day in the first quarter compared with corresponding 1984 first-quarter levels. Crude oil and product import levels showed similar volumetric decreases (see Exhibit II). About three quarters of the product imports decline resulted from lower residual fuel oil imports and a roughly 70 MBD - 25% reduction in distillate imports. Gasoline imports (including gasoline blending components), on the other hand, are estimated to have risen about 14% to a roughly 400 MBD level. There continued to be some concern moreover as to the possible underestimation of gasoline import figures because of product classification problems.

The table below shows a comparison of petroleum imports from leading countries for January 1985, the latest month available, and the year-earlier month.

U.S. Oil Imports - Leading Countries
(MBD)

January 1985 Rank	January 1985	January 1984	Jan.85-Jan.84 Difference
1. Mexico	765	705	+60
2. Canada	610	624	-14
3. Venezuela	481	547	-66
4. United Kingdom	345	382	-37
5. Indonesia	274	278	-4
6. Nigeria	262	243	+19
7. Virgin Islands	235	390	-155
8. Netherlands Antilles	125	277	-152
9. Trinidad-Tobago	113	54	+59
10. Saudi Arabia	106	463	-357
11. Algeria	95	242	-147

Mexico continued to be the largest supplier of oil imports into the U.S. in January of 1985. Saudi Arabia, in fourth place in January 1984, held the No. 10 position this year.

Net imports dependency decreased about 8 percentage points to roughly 21% in the first quarter compared with last year's level. However, this decrease is essentially the result of continuing market uncertainty.

Inventories

DOWN SOMEWHAT MORE THAN NORMAL. Total inventories fell 22 million barrels in March, a larger decrease than March's historical rate of decline. But the overall rate of drawdown lessened markedly as the month progressed. Motor gasoline inventories ended March about 7 million barrels below February levels, a decline about average for this time of year; the current level of about 33 days of supply, however, is somewhat below historical levels. Distillate stocks declined some 24 million barrels, as filling of secondary inventories continued at a strong pace.

Crude oil inventories rose 14 million barrels in March as production of products fell somewhat from prior-months levels, in part because of refinery turnarounds. Current stocks of about 335 million barrels are at almost the same level as last year; additional refining capacity is readily available to add to product inventories if demand so requires.

Operations

UTILIZATION DOWN SLIGHTLY. Operable capacity declined some 500 MBD in March from year-earlier levels, but input to distillation units fell slightly more. As a result, refinery utilization fell one percentage point compared with last March's level.

SUPPLY[1/]

(In millions of B/D)	MARCH ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.1	16.1	-	15.6	16.5	(5.5)
—Crude production[2/]	9.0	8.6	4.5	8.9	8.8	2.1
—Crude oil imports[3/4/]	2.7	3.3	(19.3)	2.4	3.0	(18.6)
—Product imports	1.8	1.8	(0.4)	1.7	2.3	(24.2)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

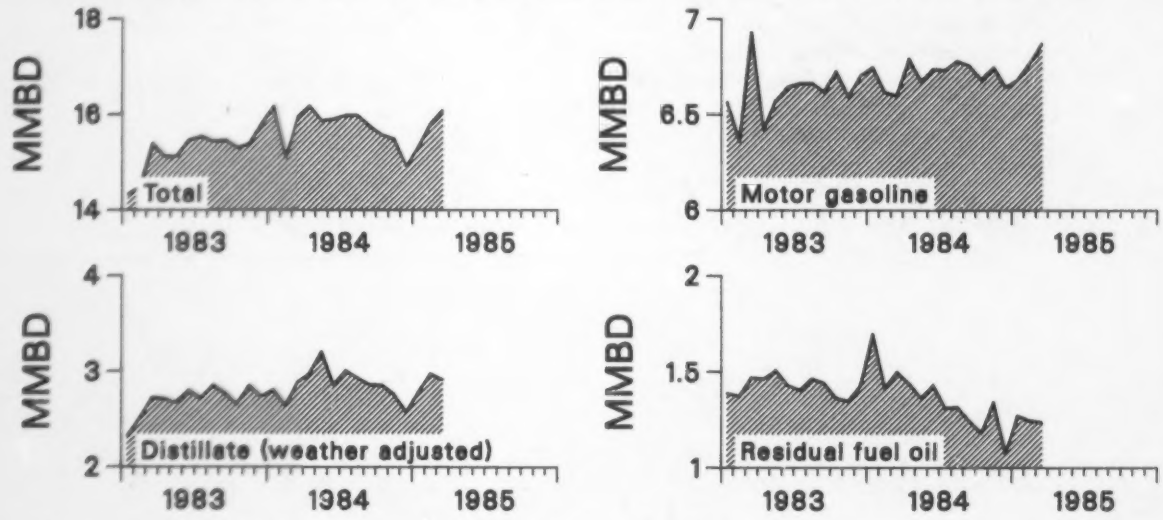
2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 462 million barrels as of March 31, 1985).

EXHIBIT I

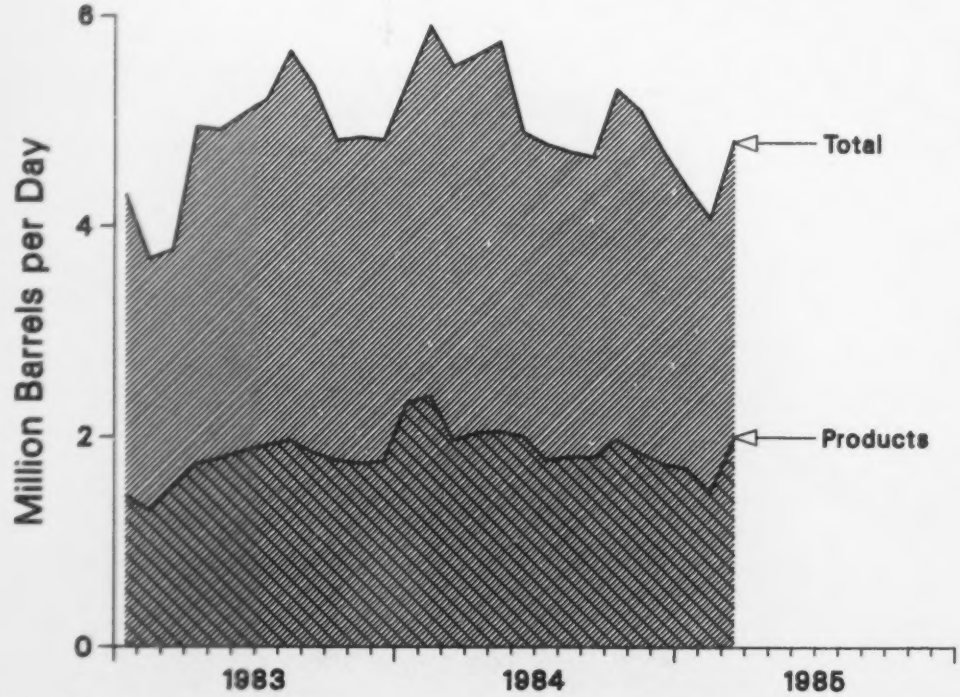
SEASONALLY ADJUSTED PRODUCT SUPPLIED



Sources: Department of Energy, American Petroleum Institute

EXHIBIT II

PETROLEUM IMPORTS



Sources: Department of Energy, American Petroleum Institute

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	MARCH			YEAR-TO-DATE		
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	6,649	6,512	2.1	6,457	6,341	1.8
Finished leaded motor gasoline*	2,416	2,765	(12.6)	2,383	2,694	(11.5)
Finished unleaded motor gasoline*	4,233	3,747	13.0	4,074	3,647	11.7
Naphtha-jet	219	205	6.8	218	198	10.1
Kerosine-jet	981	894	9.7	997	938	6.3
Distillate fuel oil	3,129	3,256	(3.9)	3,311	3,204	3.3
Residual fuel oil	1,367	1,637	(16.5)	1,420	1,743	(18.5)
All other oils[4]	3,767	3,725	1.1	3,835	3,843	(0.2)
Reclassified[5]	- 203	- 210	(3.3)	- 199	- 207	(3.9)
Total domestic products supplied	15,909	16,019	(0.7)	16,039	16,060	(0.1)
Exports	878	840	4.5	828	668	24.0
Total products supplied	16,787	16,859	(0.4)	16,867	16,728	0.8
Supply:						
Domestic production:						
Crude oil[6]	8,968	8,580	4.5	8,937	8,752	2.1
Natural gas liquids	1,654	1,588	4.2	1,666	1,600	4.1
Other supply[7]	991	798	24.2	817	865	(5.5)
Total domestic supply	11,613	10,966	5.9	11,420	11,217	1.8
Imports:						
Crude oil, total	2,670[10/]	3,307[10/]	(19.3)	2,445[10/]	3,004[10/]	(18.6)
Canadian	363	389	(6.7)	333	327	1.8
Other	2,307	2,918	(20.9)	2,112	2,677	(21.1)
Products, total	1,791	1,798	(0.4)	1,714	2,260	(24.2)
Residual fuel oil	568	633	(10.3)	575	930	(38.2)
Other	1,223	1,165	5.0	1,139	1,330	(14.4)
Total imports	4,461	5,105	(12.6)	4,159	5,264	(21.0)
Total supply	16,074	16,071	-	15,579	16,481	(5.5)
Stock change, all oils	- 713	- 788	XXXX	-1,288	- 247	XXXX
Refinery Operations						
Input to crude oil distillation units	11,546	12,088	(4.5)	11,593	12,049	(3.8)
Operable capacity	15,611	16,113	(3.1)	15,553	16,150	(3.7)
Refinery utilization (%)[8]	74.0%	75.0%	(1.3)	74.5%	74.6%	(0.1)
Crude oil runs	11,384	11,936	(4.6)	11,444	11,867	(3.6)

Stocks (millions bbls.)	1985		1984[2]	% Change from ...	
	Mar. 31[9]	Feb. 28[9]	Mar. 31	Previous Month	Year Ago
Crude oil [10/]	334.6	320.2r/	335.7	4.5	(0.3)
Unfinished oils	107.1	98.4	115.7	8.8	(7.4)
Total motor gasoline**	220.4	227.3r/	243.3	(3.0)	(9.4)
Finished leaded motor gasoline*	82.4	83.5r/	98.5	(1.3)	(16.3)
Finished unleaded motor gasoline*	102.6	107.1r/	104.3	(4.2)	(1.6)
Naphtha-jet	6.5	6.0	6.7	8.3	(3.0)
Kerosine-jet	34.7	34.8	33.9	(0.3)	2.4
Distillate fuel oil	99.7	123.4r/	109.6	(19.2)	(9.0)
Residual fuel oil	44.9	47.1	47.6	(4.7)	(5.7)
All other oils	140.7	153.5r/	159.7	(8.3)	(11.9)
Total all oils	988.6	1,010.7r/	1,052.2	(2.2)	(6.0)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January, U.S. Department of Energy, February-March , API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.